

**Response to Consultation on the UK implementation of the Directive on the
enforcement of intellectual property rights (2004/48/EC)**

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Question 1.

Please give your views on the suggested changes to the Copyright, Designs and Patents Act 1988 to clarify the presumptions that apply to related rights to implement Article 5?

No comment

Question 2.

Please give your views on the proposed changes to the Civil Procedure Rules to implement Articles 9,10,15 in England & Wales.

No comment

Question 3.

Please give your views on the proposed changes for Scotland to implement Articles 8,13,15.

Article 8.

The Transposition Notes for Implementation (“Notes”) correctly state that there is no specific provision in Scotland to require this information to be provided. In addition to the references included, however, it may be useful to consider whether reference should be made in the Notes to the possibility under section 1 Administration of Justice (Scotland) Act 1972 (“AJA”) to order disclosure of information as to identity of persons who it appears to the court may be defendants in proceedings before that court, or which are likely to be brought.

Notwithstanding the AJA, however, there is potential for gaps: for example, relevant information could exist to identify persons who the court might consider would be very unlikely to be witnesses or defendants, or that it is unlikely that there would be proceedings. Scottish courts have applied quite a stringent approach in assessing whether proceedings are likely to be brought – see eg *Colquhoun, Petitioner* 1990 S.L.T. 43. Thus, further legislation may be required.

In such legislation, we consider that it should be made clear what is meant by “in the context of proceedings”. Could a request be made only after there has been a finding of infringement, in proceeding before the court to which the request is made? The reference in article 8(1) line 5/6 of the Directive on Enforcement of Intellectual Property Rights (2004/48/EC) (“Directive”) to “goods or services which infringe an intellectual property right be provided by the infringer...” strongly suggest the need for a finding of infringement. However, there should be no ambiguity as to this, or as to which court should be able to make that finding.

Further, we believe that the legislation should stress that requests for information must, as required by the Directive, be “justified and proportionate”, and supported by affidavit evidence, thus avoiding the possibility of unnecessary disclosure of the commercial information of others.

This should be particularly so where a request concerns parallel imports. The ECJ has struck a balance in the requirement to discharge the burden of proof as between a distributor and parallel importer. (*Van Doren + Q GmbH v Lifestyle Sports + Sportswear Handelsgesellschaft mbH and another* (Case C-244/00)) [2003] ECR I-3051). Whereas we consider that the requirement that a request for information should be justified and proportionate, together with the fact that such a request should only be made after a finding of infringement, should not upset this balance in the sense of making it easier to discharge the balance of proof, we believe that due regard should be taken of this possibility.

Article 13

We agree with the Notes. We would point out, however, that *Redrow v Betts* was subsequently considered by the House of Lords – see [1998] R.P.C. 793. The need for there to be damages before there can be additional damages also applies in England.

Regarding the proposed statutory provision, what is required is not, as suggested by the Notes, for the Scottish Courts to be able to consider non-economic factors (which as is acknowledged earlier in the Notes - and see generally D.Walker (1974) “*Civil Remedies*” Eastern Press p399 et seq - can be done), but for damages to have a punitive, or aggravated element. Moral prejudice fits into such categories and it is for this reason that further provision is required.

In respect of moral prejudice generally, although it is noted that the Directive requires Courts to be able to consider this in assessing damages, we are concerned at the introduction of this concept in intellectual property (“IP”) litigation. This is for the following reasons.

(a) In many cases, IP rights are owned by corporations, not the original creators, and treated as economic assets. While it is not impossible that a patent, copyright or trade mark owner could suffer moral prejudice from, say, high profile use of their product, process, work or name in respect of dissemination of pornography, such cases will likely be limited. We suggest that the enabling provisions make it clear that awards of damages for moral prejudice will be made, as stated by the Directive, in limited “appropriate cases” only. To suggest a broader basis for corporate IP owners to argue moral prejudice would constitute a fundamental shift in both the bases for IP rights themselves in the UK, and in the bases upon which recovery can legitimately be made in the case of infringement.

(b) In respect of copyright, regard should also be had to the existence in the UK of moral rights (see sections 77 et seq Copyright Designs and Patents Act 1988 (“CDPA”). Moral rights were introduced to recognise and protect the interests of authors and creators, who may not be, or have ever been, the copyright owner in respect of their work. The relevant moral right for present purposes is the right to object to derogatory treatment of a work (section 80 CDPA). This can be infringed by conduct which would also infringe copyright. There is scope, therefore, for infringement of two rights, with different owners, by the same conduct. If a copyright owner can also claim damages for moral prejudice, then the infringer could be liable to pay damages

twice in respect of conduct considered to raise moral questions: once for copyright infringement, and once for breach of statutory duty in terms of section 103 CDPA. We suggest that the possibility of such “double jeopardy” be addressed in the proposed legislation, and be presumed to be precluded in the interests of justice. In accordance with the Directive, however, “moral prejudice” must still be a matter for the court to take it into account.

Question 4

Please suggest any relevant codes of conduct as requested by Article 17.

Article 17

We are concerned about the impact of the proposed introduction of industry codes of conduct. These codes may enable IP owners to combine (possibly thereby raising issues under article 81 EC Treaty) to agree to manufacture products including anticircumvention devices. Although these can prevent conduct which would infringe, they can also prevent conduct which might not infringe, because of the availability of a defence or relevant exception to the right. This is an improper encroachment into the existing balance of interests in IP legislation and also in the Directive.

Similar concerns exist in respect of tracking devices such as bar codes, which could be another subject of an industry code. These may make it easier for IP owners to track their products. However, if there is conduct which would not constitute infringement, because of an exception or defence, following up on the bar codes could be an unwarranted interference in rights to privacy and enjoyment of property under the European Convention on Human Rights. Further, the proposals elsewhere in respect of a right to information, after application to and due consideration by a court, means that the same information can be obtained by other means.

More generally, we would be slightly concerned at any unrestrained move towards industry codes on the part of legislatures. Significant academic work, for example J. Braithwaite and P. Drahos (2000) “*Global Business Regulation*” Cambridge University Press, notes the potential for voluntary codes, in isolation and in conjunction with other factors such as court procedures and public opinion, to have a much greater impact than might appear possible from their non statutory nature. Without sufficient oversight, and reflection of a range of interests, pursuing industry codes in this field could ultimately move proper exploration of enforcement of IP rights, and ultimately IP rights themselves, outside the democratic consultative and legislative process.

We consider that, ultimately, the correct means of fostering better means of enforcement of IP rights is through the court process, on a case by case basis. This provides the necessary opportunity for consideration of competing interests, and carrying out of balances between rights of users and IP owners – albeit that consideration of industry codes could form part of that balance. We suggest that these issues are borne in mind by the UK when encouraging the development of codes, and in evaluating their application, as required by articles 17(1) and (2) of the Directive.

Question 5

Do you have any comments on the remaining Articles in the Directive where changes have not been identified?

Scotland: Article 3.

As the Notes acknowledge, chapter 55 Rules of the Court of Session deals with IP matters. These rules have the potential to be used to provide a means of dispute resolution which is fair, equitable and does not entail unwarranted delays. Further, the costs of litigating in Scotland are far below those of litigating in England. However, pressures on court time in Scotland mean that once a case is past the interim stage – involving, as is considered elsewhere in the Notes, possible applications for section 1 AJA orders and interim interdict - matters proceed much more slowly.

We consider, therefore, that there is potential, through no lack of effort on the part of court or parties, for there to be unwarranted delay, certainly in comparison with England. A consequence of such slow moving litigation could be that there are inadequate safeguards against (possibly inadvertent) abuse of IP rights, contrary to article 3(2) of the Directive. To the extent that this may be possible, we recommend that efforts are made for further court resources to be made available for IP cases.

Scotland: Article 4.

The report “A class of their own. Why Scotland needs a class action procedure”, Scottish Consumer Council September 2003, provides an interesting overview of the shortcomings of the present means of dealing with class and representative actions.

Further, no details are included in the Notes as to the entitlement for professional defence bodies to represent IP owners (presumably relevant in the case of actions against them for unjustifiable threats or competition law actions, or challenges to validity).

Scotland: Article 9(2).

We agree with the Notes at (v). However it may be worth providing, for completeness, further details of arrestment and basis upon when it will be granted. There have been significant changes in practice in this regard since the Human Rights Act 1998 (see *Karl Construction v Palisade* 2002 S.C. 270 and *AG Scotland v Taylor* 2004 S.C. 339); and without this, the Article 9(2) requirement of “need to demonstrate circumstances likely to endanger recovery” would not be satisfied.

England: Article 8.

See above comment in this regard in Scotland section.

England: Article 13.

See above comments in Scotland section regarding *Redrow v Betts* and the availability of additional damages.

Secondly, we agree with the Notes regarding aggravated damages, which could indeed cover moral prejudice. However, see again points made in Scotland section regarding the appropriateness of damages being considered for moral prejudice (a) in respect of IP rights generally, which are largely owned by corporations and treated as economic assets; and (b) in respect of copyright, against the backdrop of moral rights

which were introduced in the UK to address concerns such as moral prejudice in the context of copyright works.

Regarding article 13(2), we consider it would be helpful, for completeness, to refer in the Notes to the “innocent infringement” provisions, which restrict remedy to injunction in limited cases; see section 62(1) Patents Act 1977, section 9(1) Registered Designs Act 1949, and sections 97(1) and 233 CDPA.

General

In closing, a general point about the need for the legislature and the courts, pursuant to the Human Rights Act 1998, to have regard to a balance between the IP rights of IP owners, and the human rights of IP owners and alleged infringers. We consider that the proposed implementation of the Directive, and the Directive itself, do strike an appropriate balance. We would point out, however, that any adjustment to the balance – for example abandoning, in legislation or in practice, the requirement for information requests to be proportionate – may raise questions of compatibility (and, in the case of any legislation of the Scottish Parliament, of incompetence under the Scotland Act 1998). Accordingly, we suggest that in considering how to proceed, due regard is had at all times to human rights and to the matters set out in recitals 2, and the first sentence of 32, of the Directive; and not only to those in recitals 1, and the remainder of 32.

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